

The November 12, 2015, meeting was called to order at 9:05 a.m. in the Tax Commissioner's Conference room by Pat Albro, Chair of the Committee.

In attendance were: Pat Albro, designee of the Property Tax Administrator; Lori Johnson, private sector appraiser; Rob Ogden, representing the county assessors; and John Wiechmann, representing the low income housing industry. Also from the Department of Revenue, Property Assessment Division, were Jon Cannon counsel for the Committee and Jim Koch note taker.

Ms. Albro read the open meetings law provisions as applicable to the meeting.

Ms. Albro asked for public comments from others in attendance either in person or by telephone. Lori Huebner, of Cass County, was in attendance by telephone. There were no public comments at this time.

Ms. Albro discussed correspondence she has had since the last meeting. Jeff Hackerott, Madison county assessor, had information on a recent sale of a LIHTC property he was familiar with. He e-mailed the information to Rob Ogden.

The owner of a property with fewer than five living units agreed they did not meet the statutory definition of a project under 77-1333. They would work with their county assessor for equitable treatment.

The minutes of the November 5, 2015, meeting were read. After a brief discussion Rob moved to approve the minutes as read. Lori seconded the motion. Lori Johnson, aye; Rob Ogden, aye; John Wiechmann, aye; and, Pat Albro, aye. 4 ayes, no nays the motion passed.

Mr. Ogden remarked that much of the information he would have expected was lacking. In future years the Committee should provide a structured format for providing the required information.

Mr. Wiechmann and Ms. Johnson both provided analysis of the financial information provided by the rent-restricted housing project managers. In comparing the debt to equity portion, both found the actual ratio of debt-to-equity to be about 30% debt and 70% equity. The data showed the equity portion to be anywhere from 60% to 85% of the total reported costs of the project. Mr. Ogden moved to recognize a substantially different weighting of debt and equity than written in statute. The motion was to recognize a capital structure of 70% equity and 30% debt on a statewide basis. Ms. Johnson seconded the motion. Lori Johnson, aye; Rob Ogden, aye; John Wiechmann, aye; and, Pat Albro, aye. 4 ayes, no nays the motion passed.

The selection of the appropriate rate for debt was discussed. Projects that provided information typically provided the nominal interest rates for debt. For appraisal purposes it was decided that the mortgage constant should be calculated for use in the band-of-investment. [The mortgage constant is the total annual payments of principal and interest expressed as a percentage of the initial principal amount of the loan.]

Ms. Johnson's analysis would compare the remaining NOI after debt coverage to the equity portion to calculate a return on equity. Because the sample size was limited and the information indicated little or no NOI on the project a return on the equity portion could not be reliably calculated using this method.

Mr. Wiechmann agreed that this method would not be useful. He read in statute that, "The yield for equity shall be calculated using the data on investor returns gathered by committee." (See [Neb. Rev. Stat. § 77-1333 \(6\)](#).) He provided the equity return rates that his organization has determined for investors in the projects for which they have syndicated the tax credits. Mr. Wiechmann provided the pretax investor return rates for thirteen limited liability partnerships representing 127 development projects with \$377,628,292 in funds. The average pre-tax return for those funds averaged 11.4%.

The Committee discussed the selection of an appropriate mortgage constant based upon the information available. There was general consensus that for the initial year the Committee would select a single mortgage constant to be used in the band-of-investment formula. There were indications of different rates in some more populated areas of the state, but not a large enough sampling to be considered, "substantially different." The data indicated a mortgage constant of 6.6% as being typical.

Mr. Wiechmann would like to present additional information for the Committee to consider, but was concerned that some of the information might be considered proprietary and sensitive to his organization. He was reassured that proprietary information would be considered confidential for use by the Committee and not subject to public records act. (See Neb. Rev. Stat. [§ 84-712.05 \(3\)](#).)

It was agreed that Mr. Wiechmann would recalculate the equity rates and share the data with Ms. Albro and the rest of the Committee for consideration at the next meeting. At that time a determination may be made to set the mortgage constant and the return on equity to be reported to county assessors.

Mr. Ogden moved to recess the meeting until November 23, 2015. The motion was seconded by Ms. Johnson. The motion was unanimously approved. The meeting recessed at 11:00 a.m.